



Agriculture Industry Flash

Tuesday, November 6th, 2018

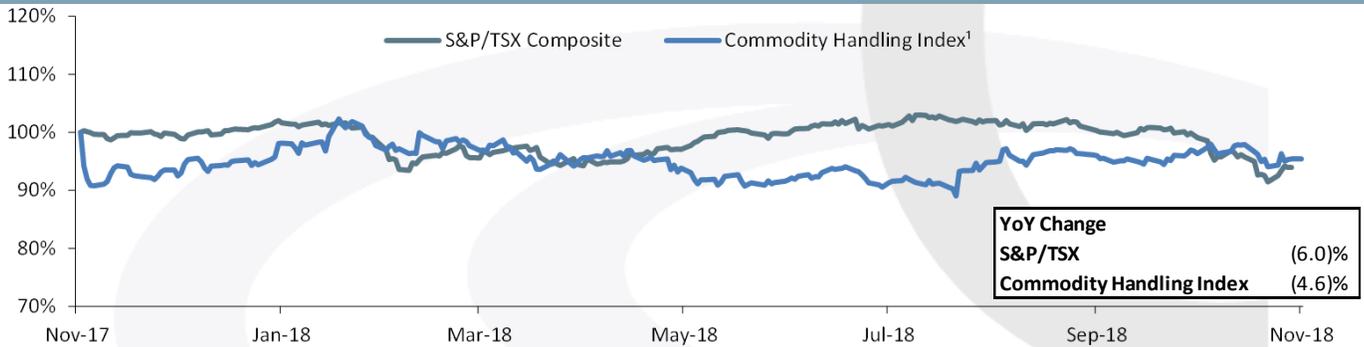


COMMODITY HANDLING

News Scan

- On October 31st, **Bunge Limited** announced that the company has appointed 3 new board members: Paul J. Fribourg, Gregory Heckman, and Henry W. Winship. In addition, Bunge has formed a Strategic Review Committee of the Board which will conduct a comprehensive strategic review focused on enhancing long-term shareholder value. The appointment of new directors and ensuing strategic review come as activist shareholders **Continental Grain Company** and hedge fund **DE Shaw** began to advocate for change after the company downgraded its profit outlook for the year
 - On November 5th, **EGT LLC**, a joint venture between **Bunge North America** and **ITOCHU**, announced the purchase of a grain elevator in Sidney, Montana from **Busch Agricultural Resources**, for an undisclosed amount. The facility has storage capacity of 1.4 million bushels. The acquisition brings Bunge's grain elevator count to 63, with a total capacity of 170.1 million bushels and strengthens origination capability for its export terminal in Longview, Washington
- On October 29th, **Archer Daniels Midland** announced that it has entered into an agreement with **Cargill** to form a technology joint venture, **Grainbridge LLC**. The joint venture intends to provide grain marketing decision support, e-commerce, and account management software for North American farmers
- On October 26th, **G3 Canada Limited** announced that it will build a primary grain elevator near Camangay in southern Alberta. The facility will be on the CP Rail line and have a capacity of 42,000 tonnes. Construction will begin shortly and is expected to be completed in 2020

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2018E	2019E	2018E	2019E	Price
ADM	26,923	34,138	8.2x	7.9x	13.8x	13.3x	1.8 %	(7.6)%
Bunge Limited	8,747	16,531	8.5x	8.4x	13.1x	11.8x	0.3 %	(25.5)%
Graincorp Limited	1,328	2,325	12.5x	12.0x	29.1x	36.7x	(2.1)%	(10.2)%
The Andersons, Inc	1,045	1,676	8.6x	7.7x	20.2x	15.4x	2.8 %	(11.3)%
AGT Food and Ingredients	329	834	15.4x	10.7x	35.8x	16.1x	1.3 %	(21.7)%
Ceres Global Ag	117	138	na	na	na	na	(2.6)%	(18.6)%
Mean			10.6x	9.3x	22.4x	18.7x	0.3 %	(15.8)%

¹ "Commodity Handling Index" is composed of equally weighted market prices for: ADM, Bunge, Graincorp, Andersons, AGT, and Ceres.

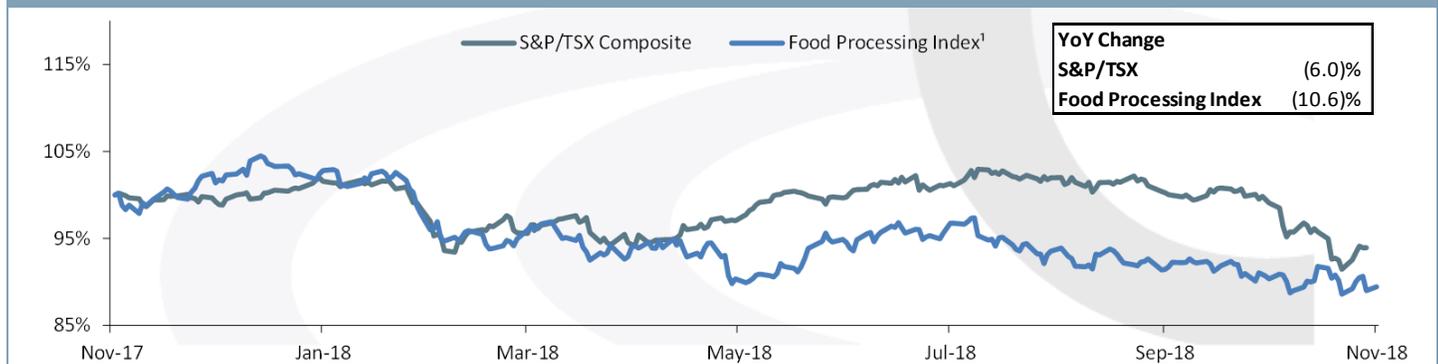


FOOD PROCESSING

News Scan

- On November 1st, **Loblaw Companies Limited** announced it will carve-out its 61.6% interest in **Choice Properties REIT** to **George Weston Limited**. Loblaw shareholders will receive 0.135 of a GWL common share per Loblaw common share held in Choice Properties, giving Loblaw shareholders a ~17% interest in GWL. Following the reorganization, GWL will increase its 3.8% stake in Choice Properties to ~65%
- On October 26th, **Conagra Brands** announced that it has completed its previously announced \$10.9 billion acquisition of **Pinnacle Foods**. The closing follows the approval Pinnacle Foods shareholders and will add several key brands, such as Vlasic Pickles and Duncan Hines Baking Goods, to Conagra's portfolio
- On October 23rd, **Ingredion Inc.** announced the opening of its new shared service centre in Guadalejara, Mexico. The centre will support Ingredion's Latin American operations and will focus on services related to financial administration, payroll, and accounting based information technology
- On October 22nd, **Maple Leaf Foods** announced the closing of its acquisition of 2 processing facilities from **Cericola Farms**, which operates as a poultry plant. Cericola operates two plants that collectively process ~32 million kg of chicken annually. Maple Leaf paid C\$80 million for the assets, with an option to purchase a third processing facility for C\$40 million
- On October 31st, **PepsiCo** announced that it has agreed to acquire **Health Warrior Inc.** maker of plant-based nutrition bars for an undisclosed amount. The addition of Health Warrior to Pepsi's portfolio aims to increase Pepsi's presence in the nutrition bar category, an attractive growth space

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market Cap	TEV	TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
			2018E	2019E	2018E	2019E		
George Weston Limited	9,047	25,412	7.6x	7.3x	13.6x	12.4x	0.6 %	(18.2)%
ConAgra Foods, Inc.	16,996	28,878	18.8x	12.9x	16.2x	15.1x	(1.7)%	(11.2)%
Ingredion Incorporated	7,505	8,921	8.8x	8.4x	15.3x	13.9x	4.5 %	(27.8)%
Tate & Lyle plc	4,107	4,639	7.9x	7.9x	13.8x	13.2x	0.3 %	(4.9)%
Premium Brands	2,272	2,862	13.2x	10.8x	21.7x	16.6x	(1.2)%	(28.2)%
Maple Leaf Foods Inc.	2,817	3,055	11.4x	9.2x	23.4x	17.3x	(0.6)%	(19.9)%
SunOpta Inc.	597	1,205	18.1x	12.7x	neg	nmf	(8.2)%	(24.7)%
Rogers Sugar	437	599	7.9x	7.5x	13.6x	11.5x	4.0 %	(17.2)%
Mean			12.3x	9.9x	17.3x	14.8x	(0.9)%	(19.3)%

1 "Food Processing Index" is composed of equally weighted market prices for: George Weston, ConAgra, Ingredion, Tate&Lyle, Maple Leaf Foods, Premium, SunOpta, and Rogers Sugar.

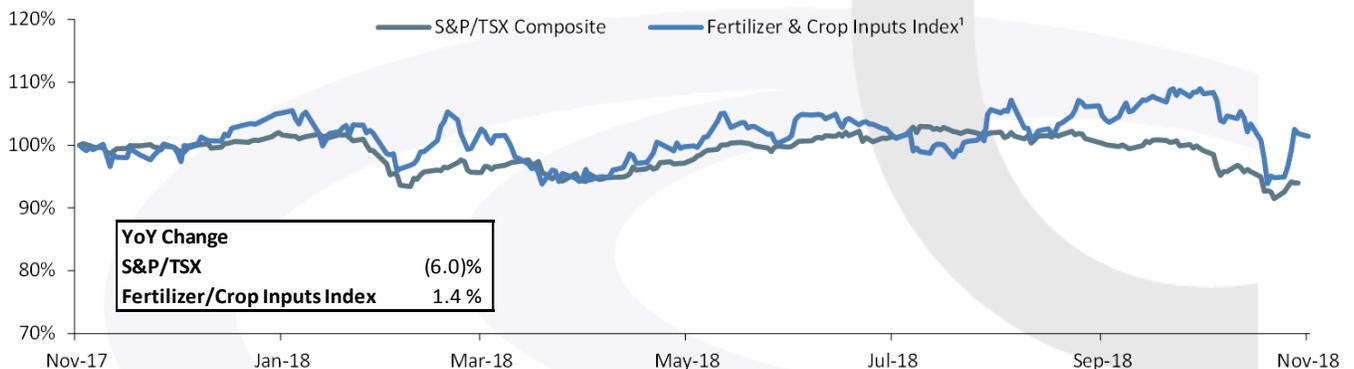


FERTILIZERS & CROP INPUTS

News Scan

- On October 24th, **Nutrien**, announced that it has completed the sale of its minority equity investment in **Arab Potash Company** to **SDIC Mining Investment Co.**, for US\$502 million. The completion of the APC sale was required by the Competition Commission of India and the Ministry of Commerce in China to provide clearance for the merger of **Agrium** and **PotashCorp**
- On November 2nd, **China CAMC Engineering**, a leading project contractor in Asia, Africa and South America, announced the completion of the US\$188 million 350KTPA Uyuni potash plant for Bolivia's state mining company, **Comibol**. The project is the third largest potash plant in South America and supports Bolivia's industrialization and will improve the quality of the country's agricultural products
- On October 31st, **Petrobras**, Brazil's national petroleum company, provided an update on the deactivation and preservation of two of its fertilizer facilities in Sergipe and Bahia. The company has postponed plans to deactivate the facilities until January 2019. The company is considering strategic alternatives for the plants, including leasing to third parties
- On October 30th, **Vegalab Inc.**, an exclusive distributor of all-natural specialty agricultural products in North and South America, has announced that it has signed an agreement with **Van Iperen International**, a Netherlands-based fertilizer producer, to distribute Van Iperen's high tech agricultural products in the United States starting in 2019. Van Iperen's comprehensive knowledge of crop needs is expected to help advance plant yields in the American markets

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market		TEV/EBITDA		Price/Earnings		Week Δ Price	Δ Price 52Wk High
	Cap	TEV	2018E	2019E	2018E	2019E		
Nutrien Ltd.	33,552	44,089	11.1x	9.4x	20.3x	15.8x	5.1 %	(6.2)%
CF Industries Holdings, Inc.	11,422	17,921	11.2x	9.3x	30.6x	18.1x	7.0 %	(12.4)%
Yara International ASA	12,102	15,755	9.7x	7.0x	3.2x	1.8x	5.5 %	(9.3)%
The Mosaic Company	12,419	16,703	8.1x	7.2x	18.2x	13.9x	5.8 %	(5.3)%
Nufarm Ltd.	1,560	2,555	7.9x	6.6x	17.1x	12.3x	2.3 %	(40.5)%
Input Capital Corp.	58	54	6.9x	3.4x	7.2x	4.3x	0.0 %	(46.5)%
Mean			9.2x	7.1x	16.1x	11.0x	4.3 %	(20.0)%

¹ "Fertilizers and Crop Inputs Index" is composed of equally weighted market prices for: Nutrien, CF Industries, Yara, Mosaic, Nufarm and Input Capital.

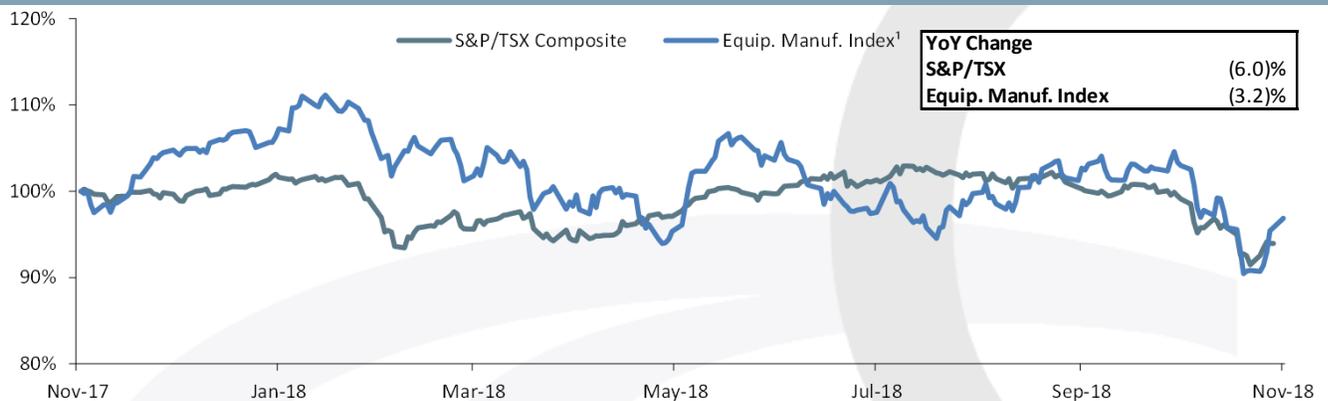


EQUIPMENT MANUFACTURERS AND SERVICES

News Scan

- On November 1st, **CNH Industrial**, announced a strategic agreement with **Farmers Edge**, a Canadian agri-tech company focused on data-driven agricultural decision-support systems. The agreement will increase the portfolio of connectivity and agronomic solutions available to Case IH and New Holland brand customers for planning, analysis, execution and agronomic decision making
- On October 31st, **Maschinenfabrik Schmotzer**, a Germany-based manufacturer of agricultural equipment under the Schmotzer brand, announced the transfer of its hoeing product line to the **Amazone Group**, a German manufacturer and distributor of agriculture equipment, for an undisclosed amount. The transfer widens Amazone's product portfolio in the hoeing technology segment that is seeing increased demand in large farming countries

Relative Performance Index



Key Indicators

All Figures in USD millions unless indicated

	Market	TEV/EBITDA		Price/Earnings		Week Δ	Δ Price	
		Cap	TEV	2018E	2019E			2018E
Deere & Company	45,887	50,302	9.8x	8.4x	18.6x	12.4x	7.4 %	(18.6)%
AGCO Corp	4,450	6,253	7.5x	6.7x	14.8x	11.9x	3.9 %	(25.9)%
Ag Growth International Inc.	840	1,219	10.5x	9.4x	17.4x	16.2x	4.6 %	(6.2)%
Rocky Mountain Dealerships	155	461	14.5x	13.6x	8.5x	8.0x	5.1 %	(28.6)%
Cervus Equipment Corporation	151	340	7.6x	7.2x	8.1x	7.2x	8.2 %	(20.2)%
Mean			10.0x	9.1x	13.5x	11.1x	5.9 %	(19.9)%

1 "Equip. Manuf. Index" is composed of equally weighted market prices for: Deere & Co., AGCO, Ag Growth International, Rocky Mountain Dealerships, Cervus.



ADDITIONAL NEWS AND AGRICULTURE COMMODITIES UPDATE

News Scan

- On November 5th, the **U.S. Department of Agriculture (“USDA”)** announced a revised forecast for the production of rice output in Thailand for 2018 due to reported flood and drought damage in the northeastern region. The revised estimate forecasts approximately 20.9 million tonnes, down from 21.2 million from earlier projections
 - On November 5th, the USDA also reported China’s soybean imports in 2018 to 2019 are forecasted to decline by 10% to 85 million tonnes due to the trade tension with the U.S. and an outbreak of African Swine Fever. The bilateral trade dispute also includes a 25% tariff on U.S. soybeans which has driven China to reduce such imports and find alternative protein to substitute feed protein ratio
- On November 2nd, **Agriculture and Agri-Food Canada** announced that it has joined the International Statement of Agricultural Applications of Precision Biotchnology with 13 other countries. The Minister of Agriculture and Agri-Food hopes that this will provide farmers the ability to choose new and better tools to help address global challenges such as climate change, pest and disease pressures
- On November 2nd, **Alberta Agriculture and Forestry** reported that warmer than average weather has allowed producers to make significant harvest progress with 95% of crops in the bin as of October 30th, up 17% from the week prior. Yields are slightly below average with the short term provincial dryland yield index estimated at 95.8%, 4% below the 5-year average. Quality for all crops has fallen below the respective 5 year averages as persistent wet conditions have caused deterioration
- On November 2nd, **National Agriculture Statistics Service** of the USDA reported flour production between July to September was 108 million cwt, down 0.2% from the same period last year. Third quarter production was 2.8% higher than the second quarter, with flour mill operating rate at 86.7%, up 3.4% from the second quarter
- On November 2nd, the **U.S. Food and Drug Administration (“FDA”)** released in their Federal Register guidance for Nutrition and Supplement Facts Labels and for Food Labelling of Serving Sizes that settled prior guidance issue from January 2017. The major change relates to the formatting issue for dual-column labelling on products with limited spacing. Additionally, the FDA rules that “sugars” are to be replaced with “total sugars” to include declaration of all added sugars
 - On October 29th, the FDA announced it plans to take regulatory action to require sesame to be labelled as an allergen on packaged foods in light of the growing prevalence and severity of sesame allergies in the United States. The comment period opened on October 30th and will stay open for 60 days
- On October 24th, the USDA announced in the Global Agricultural Information Network report an increase in acreage will boost Argentina’s average corn crop yield. Argentina is projected to produce 41.5 million tonnes of corn for 2018-19, 500,000 tonnes higher than previous estimates despite the recent export tax policy changes that negatively affect corn returns
- On October 24th, **Mercaris**, the organic and non-GMO trading platform and market information company announced a decline in prices for organic food-grade grain and soybeans in Q3 2018 compared to the second quarter. In September, organic soybeans remained close to US\$22 per bu for four consecutive months while food-grade organic soybeans have carried a \$1 to \$2 per bu premium due to increase in contracting activity

Commodities Futures as of November 5th, 2018

Commodities Futures	Price Unit	Latest Price (US\$)	Month to Date	Year to Date
Corn (CBOT)	\$ per bu.	\$3.74	1.98 %	5.87 %
Wheat (CBOT)	\$ per bu.	\$5.07	(0.15)%	17.01 %
Oats (CBOT)	\$ per bu.	\$2.93	4.09 %	20.72 %
Rough Rice (CBOT)	\$ per cwt.	\$10.80	1.31 %	(8.28)%
Rapeseed (Canola) (ICE)	CAD per T	\$482.40	(1.47)%	(1.71)%
Ethanol (CBOT)	\$ per gal.	\$1.31	1.71 %	(3.96)%



Recent Earnings News

Company	EPS YoY Change	Comments	Analyst Consensus	Premium to Current
Fertilizers & Crop Inputs				
Nutrien Ltd.	nmf	Net loss from operations for the third quarter was \$1.1 billion. Q3 adjusted net earnings was \$0.47 per share and adjusted EBITDA was \$839 million. The adjusted figures exclude a New Brunswick potash non-cash impairment of \$1.8 billion and gain on adjustment of pension and other post-retirement benefit plans of \$151 million. Retail EBITDA increased 10% YoY due to strong fertilizer demand, recent acquisitions, and an increase in comparable store sales	US \$63.91	(10.6%)
The Mosaic Company	(1.4%)	Net earnings for the third quarter was \$247 million with adjusted EBITDA coming in at \$606 million. Q3 adjusted EPS was \$0.75, ahead of last year and the second quarter of 2018. Year-to-date net earnings and adjusted EBITDA were \$358 million and \$1.4 billion, respectively, which is 71% from the same period in 2017. Growth in adjusted EBITDA and EPS reflected enhanced operational leverage across the business, the impact of the acquisition of Vale Fertilizantes, as well as improved market conditions	US \$36.40	13.0%
Commodity Handling				
Bunge Limited	325.0%	Adjusted net income for the quarter sharply increased by 325% to US\$357 million from \$84 million in the same period last year. Sales were down narrowly by \$11 million. Major jump in financial performance is attributed to the better-than-expected sales in grains	US \$78.44	26.5%
Food Processing				
The Kraft Heinz Company	(33.8%)	Net income for the quarter ended September 29 was US\$630 million, equivalent of \$0.52 per common share, down from \$944 million, \$0.78 in the same period last year. Net sales increased by 1.6% to US\$6.38 billion. Kraft has improved its top-line performance through generating organic sales, and volume growth. Lower profitability in Q3 was largely due to higher production costs, product discontinuations and non-cash impairment charges	US \$62.48	19.3%
Ingredion Incorporated	(41.6%)	Net income for the third quarter was US\$98 million, or \$1.33 per share, down 42% from the same period last year. Net sales trended at US\$1.45 billion, down 2% from \$1.48 billion as foreign currency exchange rates more than offsets favourable price. Ingredion's results are attributed to higher production costs in North America due to several power outages at their largest sweetener facility and unfavourable fluctuations in foreign exchange rates	US \$106.67	0.9%

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